The following is an English version of the official Japanese announcement, which has been given to the JASDAQ and the media in Tokyo, Japan.

January 22, 2015

Company: SPARX Group Co., Ltd.
(JASDAQ Standard Code: 8739)

SPARX Group Co., Ltd. Announces Rating Affirmation

Rating outlook changed to “positive”

TOKYO (January 22, 2015) - SPARX Group Co., Ltd. would like to announce that it has been affirmed our issuer rating and outlook of “BBB－(stable)“ has been changed to “BBB－(positive)“ on January 22, 2015 by a rating agency, the Rating and Investment Information Inc. (R&I). For rating definitions, please refer to the website of R&I.

（Reference）

Reasons of change for the rating outlook

Because of the severe investment environment through FY2012 ended March 2013, the balance of assets under management (AUM) fell sharply. Despite the recovery in the Japanese stock market, funds inflows did not fully return. An increase in AUM was thus mild. However, thanks partly to improvements in investment performance in recent months, funds inflows have begun to pick up. The balance of AUM in South Korea, which accounts for more than 40% of total, also turned around on a Korean Won basis. As the upward trend in overall AUM has stabilized, a continuous increase in the AUM balance can now be anticipated.

Sparx's earning capacity had declined to the degree that its base earnings (annualized net management fee revenues after deduction of commissions - annualized ordinary expenses) fell into the red. To address the situation, the company worked to improve its earnings structure by reducing expenses such as personnel and office-related costs. Annualized expenses have increased to the 3.2billion yen level because Sparx is now in the phase of expanding the business base owing to the environmental changes. Nevertheless, the phase does not include a drastic organizational change. The sound earnings structure has therefore been maintained. The earning capacity is on a recovery path, with the AUM balance growing to over 800 billion yen as of end-December 2014.

Sparx adheres to a conservative financial management policy. Since its business model usually does not require own funds except seed money and expenses, debt is low. Being effectively debt free, it maintains a sound debt-equity structure. The amortization of goodwill from acquisitions also proceeded. The concern that the debt-equity structure may deteriorate rapidly due to impairment of investment securities or goodwill has receded.

Based on the above-mentioned circumstances, R&I has affirmed the rating and changed the

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Rating Outlook to Positive. A rating upgrade will be considered if R&I can confirm the further strengthening of the earnings base by verifying, for example, that a full recovery in funds inflows has stabilized the AUM upward trend and AUM accumulation has visibly enhanced the stability of investment management, and that the net management fee rate has improved to more than 60 basis point.

Rating and Investment Information, Inc. homepage;
http://www.r-i.co.jp/eng/

No further entry